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Dr Arzeni outlined the role of the OECD in defending the market economy against the dead hand of the command economy. After the collapse of European communism in 1989, the OECD strove to make capitalism more ethical, the market more transparent and development more sustainable — ambitions it shares with GAP.

The OECD is implementing a skills strategy to improve human capital as the competitiveness of every country is a product of its workers’ competence. OECD research proves that higher-order skills secure better employment and improve economic and social outcomes. Although the Australian education system has been criticised, Dr Arzeni urged Australians to be proud of their schools: OECD studies show Australians rank comparatively highly in terms of international skills.
Unfortunately, Australia also suffers significant youth unemployment, with July 2014’s figures showing a rate of 14%. Although this is below the OECD average of 16%, Germany, Austria, Switzerland and the Netherlands suffer just 4 - 6%. 11% of young Australians are not in education, employment or training, and their number is increasing.

Although progress has been made, pressing problems remain. The OECD’s Programme for International Student Assessment (PISA) study\(^2\) shows that the Northern Territory and Tasmania rank well below NSW and other states in educational attainment. This is a common phenomenon around the world, with disparities within countries often greater than the disparities between them. Indigenous youth suffer unemployment rates three times higher than other Australians.

Half of Australia’s apprentices drop out before finishing their course, compared with 87% in Germany, for example. Germany focuses on the student experience pre and post apprenticeship, as well as during the course itself. The training involves supplements which help participants advance to the grades of master craftsman, technician or business administrator, boosting their job prospects as well as motivation and self-esteem. Bestowing dignity to these courses, regardless of their nature, instills a professional attitude to every subsequent job and helps explain why German products and services enjoy such a high reputation.

Measures to improve and modernise the skills of SME employees are required as smaller firms often lack the resources, time or motivation to maintain their staff’s professional development. In the past, it was possible to base an entire career on a single period of study, but the rapid obsolescence of knowledge is a defining feature of modern society. Large companies can organise lifelong learning and in-house training, and local public-private systems must facilitate training for other employees. Although some schemes are already underway, universities must be challenged to fully embrace this field. In many OECD nations, particularly in Scandinavia, universities are expected to support local economic development, as well as teach and research to justify their public subsidy. Although some Australian universities have engaged with major companies such as Hewlett-Packard, they have not forged similar links with small businesses. Representative groups such as the Australian Chamber of Commerce and Industry could play a pivotal role in improving links between universities and small business in their region.

Skilled immigration should also be encouraged, as human capital attracts foreign investment, rather than vice versa as is often assumed. The retention and attraction of talent is central to the success of modern knowledge economy. 14% of high-tech companies in Silicon Valley were created by foreign workers originally employed under H-1B visas\(^3\) which allow the employment of skilled workers from abroad in specialist technological and other occupations. This has increased competition, encouraged innovation and attracted further talent and investment into the American technology sector.

There are 4.5 million international students in the world today, and Australia has 6% of the global market. One in five tertiary students in Australia is from abroad, the highest proportion on the planet. One of three students involved in advanced research is also from overseas. They have often been seen as ‘lucrative overseas students’, subsidising the costs of the institutions they attend, but Australia is facing increased competition for their custom and is no longer a low-cost option, given the high value of the dollar and inflated property prices. The educational reputation of Australian universities must be strengthened with the attraction of first-class professors to encourage more foreign students to these shores. Universities must do more to organise...
appropriate lodging for international students and offer support for entrepreneurs. In partnership with the European Commission, the OECD has launched a programme to encourage entrepreneurship in European universities, and Australia should follow suit.

Australia is a country of immigrants, and an ever wider range of migrants continues to enrich the nation’s culture and drive innovation in the new knowledge economy. Sparks of creativity emerge from the mix and clash of different sectors and cultures, but the teaching of second and third languages in Australian schools has declined. Learning other languages opens children’s minds to the world and encourages their interaction in today’s globalised world.

The OECD is reaching out to the South East Asian region and its Secretary General opened the First South East Asia Forum in Bali in March 2013. Distance from its main centre of operations remains a problem, but a new OECD hub could be created in the region. Sydney would be a likely candidate, as it is a magnet for regional activity, and a new University of Technology Sydney (UTS) campus is being built to bring academics and students from different disciplines under the same roof.

A similar approach at the Ben-Gurion University of the Negev has helped Israel become one of the most creative and innovative countries in the world. This country of just 7 million has more technology companies listed on the NASDAQ than the whole of Europe. Universities in Australia and around the world must become sources of creativity, rather than remain diploma factories.

GAP brings people from diverse disciplines together to think and act on critical issues, and the OECD is interested in taking the GAP concept to Europe.

Dr Arzeni then took questions from the floor. Several participants suggested alternative locations to Sydney for an OECD hub, including Adelaide and Melbourne, given recent improvements in transportation and connectivity.

One attendee flagged a YouTube video entitled *Humans need not apply* which argues that a fifth of jobs will be replaced by machines in the next two decades. Skilled professions such as accountancy will be transformed in the near future, just as manufacturing was in the recent past.

Dr Arzeni revealed that the OECD had no plans to model such developments as predictions are usually doomed to failure. In the early 1990s, for example, Jacques Delores set up a think tank in Europe to pick
the ‘jobs of the future’. They identified 17 types of employment – none of which included or became as important as the call centres which created over two million jobs in the late 1990s. Given the difficulty of predicting the specific skills and job requirements of the future, **education should equip people with the broad generic skills they will need to adapt to change.** Employers often argue for the teaching of job specific skills, but soon bemoan the inability of such employees to adapt to evolving or increasing requirements.

Low youth unemployment in the Netherlands results in part from 65% of under 14 year olds working or volunteering during school holidays. Such experience improves their employability when leaving school through instilling reliability, punctuality, discipline and a respect for their superiors which may be lacking at school. Many Australian companies are reluctant to take interns as employers worry young people will question the need for every task, instead of actually completing it.

**There can be disparity between what students think will improve their job prospects and what employers actually prefer.** More study does not necessarily equate to greater employability. The Milan Chamber of Commerce, for example, found that 80% of companies they surveyed preferred students who had completed a three-year degree over those who had studied for five years, as such graduates were deemed ‘pretentious’ and demanded higher pay. He reiterated that students cannot learn job-specific skills at university, but must gain useful generic skills applicable to all situations.

Another delegate underscored the benefits accrued by Australia through overseas students and skilled immigration. He called for Australia to set its sights much higher than ‘the average’, and the increased productivity of a highly skilled workforce should more than compensate for the higher wages they command. He argued that the price inelasticity of labour created by unions was hampering economic development.

Dr Arzeni saw wage negotiations as a broader issue involving the social structures of industrial relations. Many countries with high wages are also very successful. Germany enjoyed a €100 billion surplus in the first six months of 2014 through the excellent skills and productivity of its workforce. German companies and workforces have reaped the benefit of wage flexibility over the economic cycle. Volkswagen is paying a €7,000 bonus to its employees for the second year running, a decade after it asked them to take a cut in pay.

There is a need to foster ‘the art of working’ in young people, rather than teach specific job skills, and such an approach could offer Australia an advantage over its competitors, said Dr Arzeni in conclusion.